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INTELLIGENCE MEMORANDUM

AN ANALYSIS OF THE MAY 1956 SOVIET DRAFT LAW
ON PENSIONS

CIA/RR IM-431

23 July 1956

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AN ANALYSIS OF THE MAY 1956 SOVIET DRAFT LAW ON PENSIONS*

Summary

On 8 May 1956 the Council of Ministers, USSR, published a draft law on state pensions which was to become effective on 1 October 1956 if approved by the Supreme Soviet. The draft law represents a major piece of social legislation, embodying a basic revision of the entire pension structure -- the first since the 1930's. The law codifies the numerous decrees and regulations governing pensions for workers and employees and integrates veterans' pensions with civilian social insurance.

Pensions for most eligible workers and employees and their families, as well as for veterans and their families, will be substantially increased when the new law takes effect. Because minimum pensions fixed in the new law exceed the maximum pensions available to many workers under present arrangements, the greatest increases will accrue to lower paid wage earners.

The new pension law provides a minimum old-age pension of 300 rubles per month and a maximum of 1,200 rubles. Under the present pension system, most workers receive from 210 to 240 rubles.

According to a Soviet source, the average old-age pension will increase by more than 90 percent and the average disability pension by 50 to 60 percent. Additional budget allocations of 12.6 billion rubles annually, an increase of 29 percent over the total amount budgeted in 1955, will be required for social insurance and social security under the new law.

The new law will continue the present Soviet policy of using the pension system as an instrument to further general manpower policies. Special benefits are accorded workers who stay in the same job for long periods, who work in remote locations or under

* The estimates and conclusions contained in this memorandum represent the best judgment of ORR as of 1 July 1956.

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unpleasant working conditions, who are engaged directly in production, and who are employed in those industries considered most important to the state.

I. Introduction.

On 8 May 1956 the Council of Ministers, USSR, published a draft law on pensions which was to be submitted to the Supreme Soviet for confirmation and if approved was to become effective on 1 October 1956. The proposed law represents a fundamental revision of the pension system, the first since the 1930's. Such a reform was foreshadowed in Khrushchev's statement in March to the XX Party Congress that measures would be taken shortly to "radically improve the state of pensions" so as to remove "grave shortcomings."

Under present arrangements, pensions paid to eligible citizens are governed by several different systems. All "workers and employees" are covered by state social insurance (sotsial'noye strakhovaniye), which provides old-age, disability, and survivors' pensions and is financed from contributions of state enterprises. Disabled veterans, members of the families of deceased veterans, and citizens disabled from birth are granted pensions under the system of state social security (sotsial'noye obespecheniye), financed from general state funds. Specified categories of scientific, educational, and technical workers receive pensions after designated periods of continuous service, and special "personal" pensions are awarded to citizens performing particularly meritorious services to the state. Some of these long-service and personal pensions are a part of social insurance, and others come under social security. Officers and other specified personnel of the armed services and the MVD are covered by special pension systems financed from the budgets of the ministries concerned.

** Workers and employees is a technical term used by the Soviet government. It includes workers in heavy and light industries, in state agriculture, and in nonindustrial services such as transportation, communications, construction, trade, education, health, and art; it also includes employees of all state and public institutions. The term does not include workers on collective farms, members of the armed services, forced laborers, or independent artisans.

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Finally, although members of the collective farms are not covered under any of these systems, needy kolkhozniki (collective farmers) may be awarded pensions from mutual aid funds provided by fixed deductions from kolkhoz revenues*; similar arrangements exist for members of artels.

The new pension law will simplify the pension structure considerably by combining in a single piece of legislation a multiplicity of different decrees and regulations governing old-age, disability, and survivors' pensions for workers, employees, and others. The law also proposes to integrate the system of disability and survivors' pensions for veterans with the civilian social insurance system. Finally, eligibility rules and the methods of calculating pensions will be made much less complex than they are now. From the point of view of the individual worker, however, the principal advantage of the proposed law is the fact that it will result in a substantial increase in the average pension. For example, under the present system the old-age pension for most workers is limited to 210 rubles, 225 rubles, or 240 rubles per month (depending on the kind of work), whereas under the new provisions the minimum monthly pension is fixed at 300 rubles, and the maximum is set at 1,200. Although most pensions will rise when the new law takes effect, some may be reduced. According to one reliable report, military officers' pensions have already been cut.

II. Economic Costs.

According to Finance Minister Zverev, the new pension law will raise the average disability pension by 50 to 60 percent and the average old-age pension by more than 90 percent; the annual cost of the improved pensions is estimated at 12.6 billion rubles. This figure represents an increase of 29 percent over the total amount allocated for social insurance and social security in the 1955 budget and an increase of 26 percent over the amount provided for 1956.

In the Soviet budget, funds for the payment of pensions are provided under two separate categories, social insurance and social security. The amounts allocated to these categories in the budgets for the past few years are shown in Table 1.** As would be expected in a

* According to available information, 2 percent of kolkhoz gross income is set aside to finance these mutual aid funds.

** Table 1 follows on p. 4.

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Table 1

Planned Expenditures for Social Insurance
and Social Security in the USSR a/
1946-56

Billion Rubles			
<u>Year</u>	<u>Social Insurance</u>	<u>Social Security</u>	<u>Total</u>
1946	7.2	17.0	24.2
1947	9.3	20.6	29.9
1948	15.7	22.6	38.3
1949	16.6	21.6	38.2
1950	18.1	22.4	40.5
1951	21.1	22.3	43.4
1952	N.A.	N.A.	37.5
1953	N.A.	N.A.	42.9 <u>b/</u>
1954	N.A.	N.A.	44.9 <u>b/</u>
1955	18.0	25.0	43.0
1956	17.9	30.5	48.4

a.

b. Including unknown amounts allocated for family allowances.

nation with a growing and gradually aging population, the amounts allocated for these social services have been increasing slowly. The substantial increase in the total allocations planned for 1956 undoubtedly represents an allowance for the higher pensions scheduled to be in effect during the last quarter of the year. As indicated by the figures in Table 1, all of the planned additional funds were allocated to social security, and no increase was made in social insurance funds, even though a substantial additional amount will be needed to finance increased pensions for workers covered by social insurance as well as for those (mainly veterans and their families) covered by social security. It is possible that all of the estimated increase in pension costs for 1956 was simply allocated arbitrarily

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to the social security account in the budget. It is also possible, however, that some categories of expenditures formerly classified under social insurance have been transferred to social security as a part of the revision of the pension system.

The budget categories social security and social insurance include many types of expenditures other than pensions. According to Soviet sources, pensions account for about 40 percent of the budget allocation for social insurance (that is, about 7.2 billion rubles in 1955). If this percentage is also applicable to social security allocations, the total estimated expenditures for pensions in 1955 would be 17.2 billion rubles. Total expenditures of such magnitude would not be inconsistent with data cited by Zverev with respect to estimated costs of the new pension bill. The number of persons receiving pensions is not known but is thought to exceed 5 million.

The estimated annual allocation of an additional 12.6 billion rubles to pay for higher pensions provided under the new bill represents a sizable addition to the disposable income of the Soviet population. This provision of additional purchasing power is in contrast to the recent Soviet policy of attempting to stabilize consumer incomes, a policy that has been largely successful. Nevertheless, the government undoubtedly considers this concession not too high a price to pay, for the reaction of the populace to the pension announcement has apparently been highly favorable.

Pensions paid out under the social insurance system are financed by means of compulsory contributions from enterprises and state institutions. Contribution rates are fixed at a specified percentage of the total wage fund and vary among industries, depending on the total amount of benefits paid to eligible employees in the industry. At present, rates range from 4.1 to 9.0 percent: enterprises in the coal industry, for example, pay 9 percent, whereas those in state agriculture and procurement pay 4.4 percent. It is estimated that in 1956 these contributions will yield 28.3 billion rubles, 1.8 billion more than in 1955. The total yield from this source far exceeds budgeted outlays for social insurance benefits. As yet there has been no indication that contribution rates are to be raised in connection with adoption of the new pension program.

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III. Analysis of Changes in Benefit Provisions.

1. Old-Age Pensions.

a. Present Law.

Under the present system, old-age pensions are paid to workers and employees on the following conditions :

(1) Those working underground or in harmful occupations may retire at age 50 after 20 years of service on a pension of 60 percent of their average wage, limited by appropriate maxima.

(2) Basic cadres* (osnovnyye kadry) in designated industries (metallurgy, machine building, chemicals, petroleum, and others) may retire at age 50 or 55 after 20 or 25 years of service on a pension of 50 percent of their basic wage or salary.

(3) All others may retire at age 60 (men) or 55 (women) after 20 or 25 years of service, respectively, on a pension of 50 or 55 percent of their average wage (depending on the industry), limited by appropriate maxima.

The maximum amounts of wages on which pensions are calculated are fixed separately for each industry, varying between 300 and 600 rubles per month; the former is applicable to most workers. A cost-of-living supplement of 60 rubles per month is paid to all nonworking pensioners who live in cities and whose monthly pensions do not exceed 900 rubles. A worker need not retire in order to receive a pension.

The net effect of these provisions is to fix old-age pensions for most workers between 210 and 240 rubles per month -- amounts that are sufficient to purchase, for example, even a cheap wool suit for a man. In May 1955 the lowest priced suit in the principal state department store in Moscow (GUM) cost 690 rubles.

* The term basic cadres refers to personnel directly connected with the production work of the enterprise. The term apparently includes all plant employees except those engaged in intraplant transport, in teaching or administration of plant schools, in medical-sanitation work, in providing cultural or communal services for workers, in investigative work, and in experimental and research work.

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b. Draft Law.

Eligibility requirements for old-age pensions in the new law are essentially the same as under the present law, except that women working underground or in unhealthy surroundings may retire at age 45 with 16 years of service. Pensions depend on the kind of work and the average earnings, as shown in Table 2.

Table 2

Old-Age Pensions of Workers and Employees
Under the May 1956 Draft Law in the USSR

Monthly Earnings (Rubles)	Pensions (Percent of Monthly Earnings)	
	(1)	(2)
	Workers and Employees Except Those in Column (2)	Workers and Employees Who Work Underground or Who Are Engaged in Work Conducted Under Unhealthful Conditions and in Hot Workshops
Through 350	100	100
351 to 500	85	90
501 to 600	75	80
601 to 800	65	70
801 to 1,000	55	60
Above 1,000	50	55

Pensions are increased by 10 percent for those who retire after an uninterrupted period of over 15 years and for those with 1 dependent; those with 2 or more dependents receive an additional 15 percent. The minimum monthly pension is 300 rubles and the maximum, 1,200 rubles. In contrast with present practice, the new law discriminates

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against pensioners who continue to work after they are eligible for pensions. Those whose monthly earnings exceed 1,000 rubles receive no pension if they continue to work; if their earnings are 1,000 rubles or less, their pension is 150 rubles, except that those engaged in underground or unhealthful work receive 50 percent of the pension to which they would be otherwise entitled.

The net effect of the new provisions will be to increase substantially the old-age pensions of the great majority of workers and employees. To illustrate: under the present law a textile worker who meets the eligibility requirements and whose qualifying wage averages 700 rubles per month is entitled to a monthly pension of 210 rubles, whereas under the draft law he would be entitled to 455 rubles, and if he had a continuous work period of more than 15 years he would receive 500 rubles. The fact that the new law -- in the face of a tightening labor supply -- penalizes those who continue to work may indicate that older workers, particularly in the lower wage categories, have been found to be relatively unproductive and perhaps unable to cope with new mechanized processes being widely introduced throughout Soviet industry.

2. Disability Pensions.

a. Present Law.

Long-term disability pensions* -- the pensions treated in this memorandum -- are paid to eligible workers and employees, the amounts depending on the cause and extent of the disability and on the age, sex, kind of work, and length of service of the worker. Those disabled by accidents or disease connected with their work are eligible for pensions (workmen's compensation) regardless of age or length of service. Those disabled from other causes are eligible for pensions only if they have worked the required number of years (ranging from 2 to 20 years depending on age, sex, and kind of work).** Eligible disabled workers are classified in three categories on the basis of the degree of disability as found by medical

* Persons whose disabilities are regarded as curable are not paid pensions under social insurance, but may receive sickness benefits under another program.

** One year of work in the extreme north and in other remote areas is counted as 2 years in determining service eligibility for both disability and old-age pensions.

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commissions, and basic monthly pensions are then computed as shown in Table 3.* Various kinds of supplements to these basic pensions are provided as follows:

(1) An additional 60 rubles per month is paid to nonworking pensioners living in cities.

(2) For continuous service in the same enterprise or institution, the basic pension for non-work-connected disability is increased by 10 to 25 percent, depending on the number of years of service and kind of work. For example, most workers with 15 years of service are entitled to a 20-percent increase; miners working underground receive a 25-percent increase.

Disabled veterans (other than officers) who worked in industry prior to military service are paid disability pensions on the same basis as civilian workers, except that the maximum pension is fixed at 460 rubles per month. Veterans who did not work prior to military service receive fixed disability pensions ranging from 70 to 300 rubles per month, depending on the cause and extent of disability. Noncommissioned officers receive an addition of 25 percent of the basic pension.

b. Draft Law.

Under the new law, long-term disability pensions are to be paid to those disabled in connection with their work, without regard to age or length of service. Those disabled from other causes must meet eligibility requirements based on age, sex, and length of service as fixed by the Council of Ministers; whether these requirements are to be different from the present law is not stated. The amount of the pension continues to depend on the degree of disability, the kind of work done by the employee, and his average earnings, but the amount of differentiation will be reduced. The manner in which the basic pension is to be fixed is shown in Table 4.** Presumably the list of occupations and industries which carry privileged pension status for workers is being re-examined by the Council of Ministers; such a review will undoubtedly be oriented toward providing an additional incentive to workers to take jobs in accordance with current manpower allocation needs.

* Table 3 follows on p. 10.

** Table 4 follows on p. 11.

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Table 3

Computation of Basic Disability Pensions Under Present Law in the USSR

Type of Work and Average Monthly Earnings	Pensions (Percent of Earnings)		
	Disability Group I ^a / ₅	Disability Group II ^b / ₅	Disability Group III ^c / ₅
Work-connected disability			
Basic cadres d/ in coal, metallurgy, chemicals, and certain other industries			
Through 600 rubles	100	75	50
601 to 1,500 rubles	20	15	10
Basic cadres d/ in railroads, petroleum, tim- ber, and certain other industries			
Through 500 rubles	100	75	50
501 to 1,200 rubles	20	15	10
All other workers			
300 to 600 rubles, depending on the industry	100	75	50
Non-work-connected disability			
Basic cadres d/ in coal, metallurgy, chemicals, and certain other industries			
Through 600 rubles e/ 601 to 1,500 rubles	67 to 69 20	47 to 49 15	33 to 35 10
Basic cadres d/ in railroads, petroleum, tim- ber, and certain other industries			
Through 500 rubles	67 to 69 20	47 to 49 15	33 to 35 10
501 to 1,200 rubles			
All other workers			
300 to 600 rubles, depending on the industry	67 to 69 20	47 to 49 15	33 to 35 10

- a. Including those completely disabled and requiring outside care.
b. Including those completely disabled but not requiring outside care.
c. Including those disabled for work at their regular jobs but able to work irregularly or at other kinds of jobs.
d. See footnote, p. 6.
e. The rate varies with the nature of the work; for example, those who work underground are eligible for the highest rate.

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Table 4

Calculation of Basic Disability Pensions Under the May 1956 Draft Law in the USSR

Type of work and Average Monthly Earnings	Pensions (Percent of Earnings)		
	Disability Group I ^a	Disability Group II ^b	Disability Group III ^c
Work-connected disability			
Workers employed underground or under other unhealthy conditions ^d			
Through 600 rubles	100	90	65
Remainder of earnings	20	20	20
Workers employed under other difficult conditions ^d			
Through 500 rubles	100	90	65
Remainder of earnings	15	15	15
All other workers			
Through 500, 450, or 400 rubles ^e	100	90	65
Remainder of earnings	10	10	10
Non-work-connected disability			
Workers employed underground or under other unhealthy conditions ^d			
Through 600 rubles	85	65	45
Remainder of earnings	20	20	20
Workers employed under other difficult conditions ^d			
Through 500 rubles	85	65	45
Remainder of earnings	15	15	15
All other workers			
Through 500, 450, or 400 rubles ^e	85	65	45
Remainder of earnings	10	10	10

- a. Including those completely disabled and requiring outside care.
b. Including those completely disabled but not requiring outside care.
c. Including those disabled for work at their regular jobs but able to work irregularly or at other kinds of jobs.
d. In accordance with the list of "industries, workshops, trades, and posts approved by the Council of Ministers of the USSR."
e. These figures apply to disability Groups I, II, and III, respectively.

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Basic pensions are to be supplemented as follows:

(1) For invalids in Groups I and II with non-work-connected disabilities -- an increase of 10 percent if they had 10 to 15 years of continuous service in the same enterprise or institution, and 15 percent if they had more than 15 years.

(2) For nonworking invalids in Groups I and II with 1 dependent -- an increase of 10 percent; with 2 or more dependents -- an increase of 15 percent.

(3) For invalids in Group I who are totally disabled and require care -- an increase of 15 percent for their care.

Minimum and maximum disability pensions are established as shown in Table 5.

Table 5

Minimum and Maximum Disability Pensions
Under the May 1956 Draft Law in the USSR

Rubles per Month				
Degree of Disability	Minimum		Maximum	
	Work-Connected Disability	Non-Work-Connected Disability	Work-Connected Disability	Non-Work-Connected Disability
Group I a/	360	300	1200	900
Group II b/	285	230	900	600
Group III c/	210	160	450	400

a. Including those completely disabled and requiring outside care.

b. Including those completely disabled but not requiring outside care.

c. Including those disabled for work at their regular jobs but able to work irregularly or at other kinds of jobs.

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Disability pensions to servicemen (privates) who were workers or employees before entering military service are paid on the same terms as to civilians except as follows: (1) pensions are awarded regardless of age or length of service, and (2) the minimum pensions for totally disabled veterans are slightly higher. Pensions for noncommissioned officers are 10 percent higher than those for privates, though they may not exceed the maxima set for privates. Pensions for servicemen who did not work prior to military service and for commissioned officers are to be established by the Council of Ministers.

The net effect of all these provisions will be to raise considerably the level of disability pensions, particularly for lower paid workers. For example, under the present law a coal miner who was totally disabled as a result of a mining explosion and whose earnings averaged 1,000 rubles per month would receive a pension of 740 rubles under the present law and 782 rubles under the draft law. A street-sweeper who was partially disabled (Group II) while at work and whose monthly earnings averaged 400 rubles would receive a monthly pension of 285 rubles under the present law and 360 rubles under the new law. A department store clerk who was totally disabled in an on-the-job accident and whose monthly earnings averaged 700 rubles would receive a monthly pension of 360 rubles under the present law and 598 rubles under the new law.

3. Survivors' Pensions.

a. Present Law.

Pensions are paid to the families of workers and employees who die or disappear, provided the worker himself would have been eligible for a disability pension. Eligible dependents include the following: children, brothers, sisters, disabled and aged parents, and a parent or spouse irrespective of age if he cares for children, brothers, or sisters (under the age of 8) of the deceased or disappeared breadwinner. The amount of the pension is based on the disability pension to which the deceased or disappeared breadwinner himself would have been entitled; the total amount paid to the family depends on the number of eligible dependents. In most cases the survivors' pension is figured on the basis of the pension to which the deceased would have been entitled as a partially disabled (Group II) invalid as follows: 1 dependent, 50 percent; 2 dependents, 75 percent;

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3 dependents, 100 percent; and 4 or more dependents, 125 percent. If the deceased was in the category of basic cadres in designated industries (coal, metallurgy, and others), his survivors are entitled to pensions on more generous terms. All pensions are increased by 60 rubles per month for survivors living in cities or in workers' settlements.

b. Draft Law.

Under the new law, pensions will be paid to eligible survivors of workers who die, but not to those who "disappear"; the list of eligibles is broadened to include grandchildren of the deceased. The basic survivors' pension is equivalent to that disability pension to which the deceased himself would have been entitled -- if there are 3 or more dependents, the rate for a Group I disability will apply; if there are 2, the rate for Group II is used; and for 1, the rate for Group III applies. Thus the amount will depend on the industry, occupation, and average wage of the deceased and the cause of his death, as shown in Table 4.* Minimum and maximum survivors' pensions are the same as those fixed for disability pensions. The following supplements are also provided: (1) a 15-percent increase in the pensions if there are 3 or more survivors and if the deceased died from work-connected causes, (2) a 10-percent increase in survivors' pensions if the deceased died from non-work-connected causes and had 10 to 15 years of uninterrupted service in the same enterprise or institution, and (3) a 15-percent increase is paid if he had over 15 years of uninterrupted service. Families of deceased servicemen who had worked prior to military service are treated in the same way as are the families of deceased civilian workers, although, as with disability pensions, a 10-percent increase is provided for families of deceased noncommissioned officers. The net effect of the draft law will be to raise survivors' pensions to about the same extent that disability pensions are raised.

4. Other Provisions of the Draft Law.

Under present arrangements, designated categories of specialists (teachers, medical workers, agronomists, and others) receive special pensions after a specified number of years of service in their professions. Though eligibility rules and amounts of pensions

* P. 11, above.

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vary with the profession, the usual service requirement is 25 years, and the pension amounts to 40 or 50 percent of the average wage. The draft law provides for the continuance of pensions of this type, but requires the Council of Ministers to determine "the procedure for the further award and payment" of such pensions. The draft law also retains the special system of awarding pensions to scientists on privileged terms.

Finally, special old-age, disability, and survivors' pensions are awarded to those who have rendered special service in connection with "revolutionary, state, public, cultural activity or defense of the USSR" (or to the families of such persons). These are the so-called "personal" pensions which are awarded by the Council of Ministers, by special commissions of the republic ministries of social security, and by other authorized local government agencies. Under the draft law the Council of Ministers, USSR, is to establish rules governing the award of such pensions in the future.

When the draft law goes into effect, those who are entitled to higher pensions under it will have their pensions increased appropriately. All others may retain their pensions unless they exceed the applicable maximum specified in the law; if so, the pensions must be reduced to the appropriate maximum. Finally, pensioners living in rural areas and connected with agriculture are paid pensions amounting to 85 percent of those to which they would otherwise be entitled. It is believed that this provision constitutes a recognition of a lower cost of living usually prevailing in rural areas rather than a concerted policy of discrimination against workers associated with agriculture. The present emphasis on agricultural production, together with the greater opportunity now afforded for limited subsistence farming (animals and small plots), tends to reinforce the proposition of nondiscrimination.

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APPENDIX A

GAPS IN INTELLIGENCE

Little statistical information is available concerning the operations of the various forms of social insurance and social security in the USSR. It would be desirable to have a breakdown of budget allocations for social welfare among kinds of benefits and to know the total number of pensioners, subdivided by categories of pensions.

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APPENDIX B

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval.," have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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